# Agriculture’s Case for a Simple Flat Tax

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Abstract

It is often said that policy-makers only pander to the "special interests." Perhaps it is time for people in Washington, D.C. to open their eyes and their ears to a group that has long been ignored: The American Agriculturist. Through the implementation of a simple flat tax, the potential of American farmers and ranchers can finally be unleashed. This can be accomplished by consolidating the current tax brackets into a single bracket at ten percent on all "personal income." This includes wages, salaries, interest, capital gains, dividends, and business income. In simple terms, if one makes ten dollars, they pay one dollar. If one makes a million dollars, they pay one hundred thousand dollars. This system would also allow for the discontinuance of a multitude of taxes such as the estate tax, death tax, alternative minimum tax, and Medicare surtaxes to name a few. The USDA's Farm Family income report states that 80% of small farm households rely on off-farm income. This illustrates just how dire the situation is for these small farm households. This demonstrates why a flat tax is not just a helping hand to agriculturists, but a vital necessity which will propel our industry forward. These taxes have wreaked havoc on farmers for decades, and these cuts would allow for a system that finally allows our industry and our economy to reach its full potential.

*Keywords:* American Agriculturist, Flat tax, Special interests

# Agriculture’s Case for a Simple Flat Tax

“There are fewer farmers than ever before” and the “average age of the American farmer is over 58 years old.” These are two facts that virtually every FFA speaker can rattle off, but what if I told you a different story? What if I told you that the American farmer is not only aging, but also struggling. The stark reality is that farmers and ranchers everywhere are being oppressed by the modern day economy. When you look at the numbers, it seems our industry has been left behind. To better understand this, let’s go back in time to 1960. In the sixties, a farmer could sell a bushel of wheat for $1.79, and they could purchase a combine for almost five thousand dollars. Now, let’s fast forward to today. As of yesterday, a bushel of wheat went for three dollars and ninety-nine cents, and a combine costs a measly five hundred thousand dollars. That makes sense though, right? The farmer sells his wheat for almost twice as much as he could have in 1960, but the cost of the equipment he needs to harvest it has increased 100 fold (NIFA, 2014). That’s the reality of the modern farmer, and it begs the question of “Where is the economic growth for agriculture?” Why has the cost of our inputs increased by over 1000 percent, while the selling price for our products has merely doubled? These statistics paint a picture of an industry that the modern economy has left behind. But what can be done to help alleviate this suffering? It is often said that policy-makers only pander to the “special interests”. I believe it is time for people in Washington to open their eyes and their ears to a group that has long been ignored, the American agriculturist. So today I introduce to you something all agriculturists can get behind: A flat tax. With a new tax system that implements a simple flat tax, we can unleash the potential of farmers and ranchers everywhere.

A flat tax will undoubtedly benefit agriculture by consolidating the current tax brackets into a single bracket at 10% on all "personal income;" this includes wages, salaries, interest, capital gains, dividends, and business income (WBG, 2017). So in simple terms, if you make ten dollars you pay one dollar; if you make a million dollars you pay one hundred thousand dollars (Pomerleau, 2015). It's just that simple. This new system also allows us to cut a multitude of taxes such as the estate tax, death tax, alternative minimum tax, and the Medicare surtaxes, just to name a few. These taxes have wreaked havoc on farmers for decades, and these cuts allow us to have a system that lets our industry, and our economy, reach their full potential.

Other than tax cuts, one of the major benefits of a flat tax is economic growth. Not just economic growth for agriculture, but for our entire country. The agricultural Gross Domestic Product continues to grow at a sluggish rate of less than two tenths of a percent annually, giving the illusion that our industry is idle (World Bank Group, 2017). However, with some progressive changes in our current tax code, American agriculture can and will overcome this economic stagnation. With the implementation of a flat tax, we will see immediate effects that benefit agriculture, such as a 44% rise in Capital Investment, a 13.9% higher GDP, and the creation of more than 4.8 million jobs (McCaherty, 2014).

Critics of a flat tax would argue the disparity between the federal government's current tax income and that of a flat tax is too drastic. They feel that social programs, government jobs, and healthcare would suffer as a result of this decrease in federal income taxes. To an extent, these critics are right. When you look at static numbers with government spending remaining on the same course it is currently on, it is easy to feel the lack of government income would lead to the suffering of the American people. However, when factoring in the projected economic growth, more specifically an increase in supply of labor, capital, and a broader tax base, we can expect to see even lower budget deficits than we currently experience. This year, the budget deficit was an astonishing $440 billion. With a flat tax, the projected budget deficit would shrink to $768 billion over the next ten years, or an average of $76.8 billion per year (Pomerleau, 2015). This is a significant improvement and puts to bed arguments that a flat tax would harm the American public.

But what does this mean for the average farmer and rancher just struggling to get by and make ends meet? The flat tax benefits them the most. To better illustrate this, let me introduce to you to a farmer by the name of John Smith. John has a net farm income of $50,000 and currently pays a 25% tax rate on that income (Pomerleau, 2015). So after losing over $12,000 initially, let’s say John wanted to sell several non-producing cows or an older tractor. He will then face a 15% rate on the profit he made called capital gains. (Schwab, 2016). But the taxes don’t stop there. Because John owns his own enterprises, he now faces self-employment taxes, payroll taxes, most likely property taxes, and numerous others on top of that original. This leaves John, and many other small farmers like him, with an average of $2,000 of after-tax income (Beach & Tyrrell, 2012). This is troublesome for two reasons. First, John’s farm shows poor financial performance which has a negative effect on the agricultural industry as a whole. Second, John’s farm income isn’t enough to support his family. The USDA’s 2017 Farm Family income report states that 80% of small farm households rely on off-farm income to make ends meet (Melton & Morrison, 2017). This shows just how dire the situation is for these small farm households. However, with the implementation of a flat tax, these days will be no more. When we account for the cut to John’s income tax rate as well as the economic growth of the agricultural industry, John’s after-tax income will more than double. This shows that a flat tax is not just a helping hand to agriculturists, but a vital necessity that will help propel our industry, and the people in it, forward into the future.

The FFA Creed says that we believe in less dependence on begging and more power in bargaining (Tiffany, 1928). Well, I for one don’t see much bargaining in this dire situation. I see an industry full of hard-working Americans who continue to get stifled and stepped on by the federal government. I see a group of people who take to heart the philosophy of playing square with those whose happiness depends upon me (Tiffany, 1928). but continue to get the short end of the stick when they are reliant on others. I see farmers and ranchers across this country who are doing the very best they can but are still struggling to get by. However, I still believe in the future of agriculture. I believe that we will overcome these tough economic times. I believe that my generation of agriculturists can take up the mantle left for us by generations past and build an economy that helps farmers combat the struggles they face today. I believe that a flat tax may just be the first step in that process, but it is undoubtedly a step in the right direction.

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